

Slavery and Human Trafficking Statement 2019

February 2020



This annual Slavery and Human Trafficking Statement describes the steps Stora Enso is taking to prevent modern slavery in its operations and supply chains, in accordance with the United Kingdom's Modern Slavery Act 2015 and in preparation for the requirements of the Australian Modern Slavery Act 2018. This statement covers the global operations and supply chains of Stora Enso Oyj and its principal subsidiaries during the financial year that ended on 31 December 2019. It does not cover the Group's two 50%-owned joint operations in Latin America.

Our business and supply chains

Stora Enso is a leading provider of renewable solutions in packaging, biomaterials, wooden constructions, and paper in global markets, with Group sales of EUR 10.1 billion (GBP 8.5 billion, AUD 16.7 billion) in 2019. Our customers include publishers, retailers, brand owners, print and board producers, printing houses, merchants, converters, joineries, and construction companies. The Group has some 26 000 employees in more than 30 countries around the world. Our head office is in Helsinki, Finland, and we also have head office functions in Stockholm, Sweden. Stora Enso is publicly listed on the Helsinki (STEAV, STERV) and Stockholm (STE A, STE R) stock exchanges. More information about our financial performance, governance, operations, and sustainability can be found on our [website](#) and in our [Annual Report 2019](#).

In addition to our [principal subsidiaries](#), Stora Enso also has 50% ownership of two joint operations in Latin America. These operations, located in Uruguay and Brazil, each include a pulp mill and eucalyptus tree plantations. They are excluded from the scope of this report.

Stora Enso sources raw materials, products, and services from over 20 000 suppliers and contractors globally. Wood and fibre-based materials, such as pulp and Paper for Recycling (PFR), represent 51% of our total variable costs (2019), while chemicals, fillers, energy, fuels, spare parts, and maintenance, logistics, and IT services account for 49%. Our production units and forestry operations are primarily in the Nordic countries, Central Europe, Russia, and China, all of which are mainly supported by local supply chains. Certain commodities of a global nature are sourced from regions outside our core areas of operation.

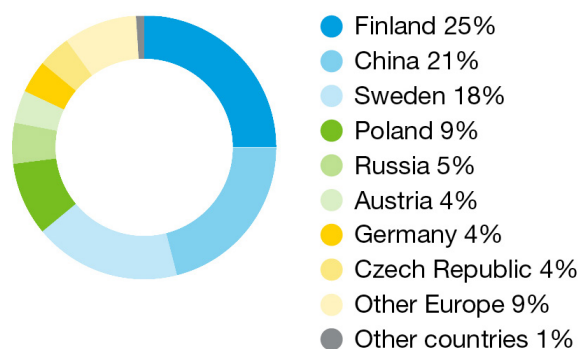
In the United Kingdom, Stora Enso's operations consist of the sales of various paper products, packaging materials, and wood products.¹ Our operations in Australia consist of the sales of various wood products.² We also buy various services, fiber-based raw materials, as well as chemicals, spare parts, and other products for our local and global operations from British and Australian companies.

Locations of our operations



● Countries where Stora Enso has production, plantations, or projects

Employee distribution by country³



¹Lumipaper Ltd., Stora Enso Holdings UK Ltd., Stora Enso Pension Trust Ltd., Stora Enso Timber UK Ltd., and Stora Enso UK Ltd. Stora Enso Australia Pty Ltd.

²Company number ACN 099 948 491.

³Excluding employees of our 50%-owned joint operations Montes del Plata in Uruguay and Veracel in Brazil.

Identifying risks of modern slavery

Stora Enso strives to prevent all forms of modern-day slavery, including forced labour and human trafficking. Respect for human rights is a cross-cutting element of our [Sustainability Agenda](#) and is required to be taken into account throughout our operations, including investment decisions related to mergers, acquisitions, and divestments.⁴

While we recognise that modern slavery-related risks may exist in our own operations, we have determined that the greatest risk is in our complex and extensive supply chains that include supplier categories and geographies which we have identified as having high human rights risks. For this reason, we have taken a risk-based approach to addressing modern slavery by focusing our efforts on our supply chains.

Our supplier sustainability risk mapping tool, created in collaboration with the international non-profit organisation BSR, helps our purchasers to make more detailed risk assessments. Based on a pre-evaluation of a supplier's social and environmental risk profile, they may be selected for a third-party sustainability audit, conducted together with our purchaser.

Recycling services, land and sea transportation services, and wood supply functions have been identified as having heightened risk for modern slavery in our sector. Based on an in-depth internal evaluation, we have identified China, Laos, Russia, Poland, and the Baltic countries as our highest risk markets for forced labour within these sourcing categories.

Our actions to assess and address modern slavery risks

While we continue to respect and consider all human rights important, our highest priority human rights remain the primary focus of our work:

- Health and safety
- Fair employment conditions
- Forced labour
- Freedom of association
- Non-discrimination and non-harassment
- Land and natural resource rights acquisition and management
- Grievance mechanisms
- Children's rights (relevant to the forest sector).

In 2019, we continued to develop our human rights due diligence programme. As a first step, to strengthen our strategic focus, we mapped our Group function processes to identify development areas related to our highest priority human rights. Actions to address the findings are expected to be completed by the end of 2020. In addition, we began updating our policies to align them with our eight priority human rights and reviewing elements in them that are related to data privacy.

We will also integrate our due diligence for other human rights relevant to the forest product sector, but not of highest priority to Stora Enso operations, into existing management systems.

Implementing international standards

Stora Enso's pledge to combat modern slavery is publicly expressed in our [Human Rights Policy](#) and the [Stora Enso Code](#). In addition, as a UN Global Compact signatory we adhere to Principle 4: "Business should uphold the elimination of all forms of forced and compulsory labour." Zero tolerance for forced labour is also one of our eight highest priority human rights.

Our internal policies and requirements that cover human and labour rights include:

- Our [Human Rights Policy](#) sets out our commitment to fully respect human rights throughout our operations, including ensuring the observance of human rights in all relationships involving Stora Enso, and encouraging our partners to constantly improve their human rights performance. We are committed, at a minimum, to upholding the principles set out in the International Bill of Human Rights and the International Labour Organization's core conventions. We seek to improve our human rights performance by following the United Nations Guiding Principles on Business and Human Rights.
- The [Stora Enso Code](#) is a single set of values defined for all our employees to provide guidance on our approach to ethical business practices, environmental values, and human and labour rights. These values are applied wherever we operate. The Code explicitly prohibits the use of child labour and forced labour.
- Our [Supplier Code of Conduct \(SCoC\)](#) is a legally binding document that imposes mandatory sustainability requirements for suppliers regarding human and labour rights, occupational health and safety, environmental protection, and responsible business practices. As a key governing document of our supply chain management that covers forced labour and working conditions, our SCoC applies to all our sourcing categories globally.
- Stora Enso's Minimum Human Resource Requirements are applicable to all employees directly employed by Stora Enso in units where Stora Enso is the majority owner. The Minimum Human Resource Requirements prohibit all forms of forced labour, including prison labour, indentured labour, bonded labour, and overtime work involving threats of punishment. They also state that all employees have the right to enter into and terminate their employment freely; that foreign/migrant employees must not be treated less favourably than local employees; and that all employees must have relevant and valid work and residence permits.

⁴Our investment guidelines stipulate that environmental and social risks and impacts, including those related to human rights, must be duly identified, assessed, and addressed prior to any investments in projects with business-critical risks. Business ethics risks and specific investment compliance with our Code of Conduct and Business Practice Policy are also assessed.

Grievance and remediation mechanisms

Stora Enso is committed to remedy any situation where our activities have caused or contributed to adverse human rights impacts. In circumstances where human rights violations are committed by third parties directly linked to Stora Enso through our operations, products, or services, we strive to use our leverage together with relevant stakeholders to ensure that those impacts are remedied.

Access to grievance mechanisms is one of Stora Enso's highest priority human rights. Our formal grievance mechanism, formerly open to employees in all units and external stakeholders in selected locations, was opened to all stakeholders globally in 2019 to further improve access to anonymous reporting of potential non-compliance. The channel enables any stakeholder to report instances

where their rights may have been infringed, or where they have observed potential violations of the Stora Enso Code, including those related to human and labour rights. This service is independently administered by an external service provider. We also have long-standing local grievance channels, in local languages, for communities and other external stakeholders associated with our plantations and mill in Guangxi, China. Similar local grievance channels exist for our project in Laos and our joint operations Veracel in Brazil and Montes del Plata in Uruguay.

Our Supplier Code of Conduct obliges our suppliers to report any non-compliance with the Code to Stora Enso's Head of Internal Audit, as well as to establish a whistle-blowing system to enable their employees to report non-compliances.

Continued efforts in 2019

In 2019, Stora Enso was one of the first companies to sign the [WBCSD's CEO Guide to Human Rights](#), in which leading companies in the field of human rights encourage their peers to take action. We also signed the guide's Finland-specific version, which was published by the Finnish corporate responsibility network FIBS. During the year, we also joined a [campaign calling for human rights due diligence legislation in Finland](#), led by the Finnish NGO Finnwatch.

Developments in our supply chains

The monitoring of supplier compliance begins before we enter a business relationship. Any supplier in any location who wishes to do business with Stora Enso must first pre-qualify during tendering, or at the latest before a contract is drafted. To pre-qualify, suppliers must complete a questionnaire, submit confirmation of their compliance with our Supplier Code of Conduct, and complete our safety management online training. At the end of 2019, 96% of our supplier spend was covered by our Supplier Code of Conduct. Our suppliers are also asked to provide information about their own suppliers, including sub-suppliers operating in high-risk countries.

We conduct on-site visits and commission audits by third-party auditors to monitor and improve supplier sustainability performance. Focused audits are done based on risk assessments or concerns raised by our stakeholders. In 2019, Stora Enso's third-party supplier audits continued to focus on suppliers with heightened sustainability risks, as identified by our risk assessment tool. Other focus areas were the chemical value chain, waste handling, Paper for Recycling, and land logistics.

We also carry out thorough reviews, or "deep dives," of specific supply chains. Deep dives combine desktop reviews and on-site visits to help us better understand specific supply chains and support suppliers in improving their operations, including topics related to modern slavery. In 2019, we conducted three deep dives: in Thailand, the United States, and the Ukraine. No findings of forced labour or human trafficking were recorded during these deep dives.

Stora Enso strives to develop the prevention and humane processing of potential human trafficking cases in connection

to logistics services. Occasionally, people board our chartered sea logistics line from Central Europe to the Nordic countries unpermitted and undetected (stowaways). We have preventive practices in place to detect people in hiding. Nevertheless, in 2019, our sea logistics suppliers recorded three stowaway cases where a total of 11 people were found hiding. Detailed records show that all detected people were treated with dignity and respect onboard and ensured a safe and humane return into the custody of local authorities at their port of origin in Central Europe.

A responsible exit from Pakistan

In 2019, Stora Enso continued to support six schools in cooperation with the Pakistani non-governmental organisation Idara-e-Taleem-o-Aagahi (ITA) in Pakistan. These schools were set up in 2015 to provide education for the 640 children identified as child workers in the supply chain of our previous 35% minority holding in the equity accounted investment Bulleh Shah Packaging (Private) Ltd. (BSP). The divestment of BSP was completed in 2017 but the school programme, together with Stora Enso's funding for ITA, will remain in place until 2023 when the youngest children will complete compulsory primary school education as required by the state of Pakistan.

Global initiatives to protect labour rights

Stora Enso signed a global framework agreement with labour unions IndustriAll, UniGlobal, and BWI in 2018. Under the agreement, Stora Enso commits to respect human rights, and strives to eliminate forced labour throughout its operations and subsidiaries worldwide. Stora Enso and the unions held one collaboration meeting in 2019.

Stora Enso is a member of Sedex, one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains. By the end of the year, twelve of our units had been audited through Sedex Member Ethical Data Audits (SMETA) at least once. As of June 2017, with the introduction of SMETA 6.0, modern slavery has been a specific component of the SMETA audit procedure. Nine SMETA 6.0 audits were conducted at Stora Enso units during 2019. No findings of forced labour or human trafficking were discovered.

Stora Enso is also a member of the ethical supplier rating system Ecovadis. The Ecovadis assessment includes questions regarding corporate policies and actions for respecting human and labour rights in both a company's own operations and its supply chains, with particular focus on forced labour and child labour. Since 2017, we have been included in the top 1% of industry supplier performers in sustainability.

Living wages

Every other year, the global non-profit organisation BSR supports us in defining and calculating living wages in relevant locations. In 2019 we reviewed the current situation in our production units in Brazil, China, Estonia, Laos, Latvia, Lithuania, Poland, Russia and Uruguay. The results of this study indicate that our units' minimum compensation in these countries is above the living wages defined by BSR.

Training and capacity building

We continue to raise awareness of modern slavery within our divisions and functions and encourage them to organise training sessions for their personnel. For instance:

- Stora Enso employees receive Stora Enso Code training, either through an e-learning tool, or through face-to-face training provided for those who do not have direct computer access. All managers in key positions are required to make a personal commitment to the Stora Enso Code. Following the update of the Code in 2018, a new e-learning tool will be launched in 2020.
- We organise continuous internal guidance for our Sourcing and Logistics personnel on the Supplier Code of Conduct and other relevant topics to help them address challenges related to sustainability as needed.

Assessment of effectiveness in preventing modern slavery

We understand that modern slavery risks are not static, and that our due diligence approach to addressing them must be periodically assessed to ensure that it continues to be effective. We do this by, for example, monitoring compliance with our policies and requirements and by evaluating the quality and quantity of reports received through our grievance channels.

In 2019, a total of 57 reports through Stora Enso's grievance channels were identified as potential non-compliance cases. Based on the investigations finalised by the end of 2019, proven cases leading to disciplinary action, legal action, and/or process improvements was identified in 26 of the completed investigations. None of the proven cases were related to forced labour or human trafficking.

We carry out assessments and audits with our own units as well as suppliers to ensure compliance with our policies

and requirements. For instance, we conduct biennial self-assessments of all operating units on compliance with our Minimum Human Resource Requirements, and site audits to verify compliance as required. In 2019, when we last completed the self-assessment, no concerns were raised regarding forced labour or human trafficking. We also conducted a total of 62 third-party supplier audits, including 17 audits through external audit schemes such as the HSEQ (Health, Safety, Environment, and Quality management) audit cluster in Finland, and 50 supplier visits. No findings of forced labour or human trafficking were recorded in audits or during visits.

In addition to continuing these efforts, we will also integrate the assessment of our effectiveness in preventing modern slavery into our broader human rights due diligence programme.

This statement is made in accordance with section 54(1) of the UK Modern Slavery Act 2015 and constitutes our Group's Slavery and Human Trafficking Statement for the 2019 financial year. It has been approved by the Stora Enso Group Board of Directors.



Annica Bresky
President and CEO